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THIRTIETH
ANNUAL
REPORT

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REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS OF TRANSCONTINENTAL RESOURCES LIMITED.

The audited financial statements of your Company for the year ended December 31st, 1970, are submitted herewith for your consideration. We wish to bring to your attention the diversified investments of your Company.

OIL INTERESTS—REAL ESTATE—SECURITIES —PEAT MOSS MINING:

Oil Income from your Company's interest in the Hondu Mitsue Field of Alberta increased during the past year from \$23,419 to over \$30,000. A continuing increase is expected due to the recent oil price rise and allowable increase.

The Commercial Building in Prince Rupert business district has proved to be another worthwhile acquisition. After leasing the building to Seaway Restaurants Ltd. the two adjoining lots were sold for a net price of \$28,500. The net return on this investment exceeds 16%.

Shares for Investment Purposes: The major portion of your Company's investment portfolio is listed for your inspection:

53,500 shares—Giant Mascot Mines Ltd.	
15,200 shares—Coast Copper Mines Ltd.	
1,300 shares—Internation Nickel Co.	
8,055 shares—Ranger Oil (Canada) Ltd.	
(\$40,290 Ranger Oil 6% Convertible Note).	

It is of interest to note the increase in quoted market values of your Company's portfolio at years ends 1968 to 1970:

1968—\$375,142.	1969—\$483,120.
1970—\$571,336.	Currently—over \$600,000.

MAJOR INDUSTRIAL ACQUISITION (Cost - \$945,346):

Your Company acquired 96% of the shares of Atkins & Durbrow Ltd. during the past year. The fiscal year end of Atkins & Durbrow Ltd. is June 30th. At December 31, 1970, profit from sales of peat moss was \$51,533, an increase of \$26,000 over the previous year. An inventory of 323,797 bales of peat moss is available for spring shipment to Canadian and American markets. Your Directors forecast before tax profits in excess of \$250,000 from the peat moss operations in Port Colborne, Ontario, and Caraquet, New Brunswick.

OTHER INTERESTS:

Northbelt Yellowknife Mines Limited:

Expenditures on the property now total \$278,435. Additional Ground Work is being considered for the coming season by GIANT YELLOWKNIFE MINES LTD. which Company has earned a 51.4% interest. Your Company has approximately 14% of the shares of Northbelt, the balance being held by Falconbridge Mines Ltd.

Lynx Yellowknife Gold Mines Limited:

The claims in the Yellowknife Area are adjoining the Northbelt properties. There is no activity planned for the Lynx property at this time.

Blue Ledge Copper Mines Inc.:

To date your Company has received \$40,000 under the terms of its agreement with Jason Explorers Ltd. (N.P.L.) which provides for the sale of all of the shares of Blue Ledge Copper Mines Inc. to Jason Explorers Ltd. (N.P.L.) by July 31st, 1972.

New Taku Mines Limited:

During the past two years an extensive exploration program has been conducted in the Taku Area of British Columbia. Further exploration is planned by Jason Holdings Ltd. which Company has entered into an agreement to purchase control of New Taku Mines Limited.

CONCLUSION:

Ever increasing mining exploration costs have prompted your Directors to pursue a pattern of general business diversification and develop the Company's status to that of an industrial.

Participation in mining ventures can be considered. However, this can be done through the acquisition of shares for investment purposes.

Submitted on behalf of the Board of Directors,

FRANK B. KILSHAW,
President.

May 18, 1971

TRANSCONTINENTAL RESOURCES LIMITED

and subsidiary company, Transcontinental Petroleums Limited

STATEMENT OF INCOME

Year ended December 31, 1970 (with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
<i>Revenue</i>		
Oil production, net	\$ 30,404	\$ 23,419
Interest	27,330	40,723
Dividends	13,650	9,833
Rental income, net	3,951	—
Miscellaneous	45	65
Gain on securities, net	—	6,540
	<u>75,380</u>	<u>80,580</u>
<i>Deduct</i>		
Loss on securities, net	26,417	—
Administrative and general expenses	22,176	23,582
Exploration and development expenditures written off	32,978	10,137
	<u>81,571</u>	<u>33,719</u>
Income (loss) before income taxes	(6,191)	46,861
Income taxes	—	6,300
Income (loss) before extraordinary item	(6,191)	40,561
Income tax reduction resulting from application of prior years' losses	—	5,000
Net income (loss) for the year	<u>\$ (6,191)</u>	<u>\$ 45,561</u>
<i>Earnings per share</i>		
Income (loss) before extraordinary item	(.13c)	.85c
Net income (loss) for the year	<u>(.13c)</u>	<u>.96c</u>

STATEMENT OF DEFICIT

Year ended December 31, 1970 (with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Balance at beginning of year	\$ 787,372	\$ 782,933
Net income (loss) for the year	(6,191)	45,561
Balance at end of year	<u>\$ 743,563</u>	<u>\$ 737,372</u>

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TRANSCONTINENTAL

(Incorporated under)

and subsidiary company, Tra

BALANCE SHEET - DEC.

(with comparative figures)

ASSETS

Current Assets

	<u>1970</u>	<u>1969</u>
Cash, including short-term deposit	\$ 47,074	\$ 489,671
Accounts and accrued interest receivable	24,224	6,126
	<u>71,298</u>	<u>495,797</u>

Shares, Advances and Other Interests

at cost less amounts written off (notes 1 and 2)	2,002,888	1,066,911
	<u>\$2,074,186</u>	<u>\$1,562,708</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Transcontinental and the statements of income, deficit and source and application. We include the accounts of a subsidiary company, Transcontinental Travel Services Ltd., in accordance with generally accepted accounting principles. In our opinion these financial statements present fairly the position of Transcontinental and its subsidiary company as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied in the preparation of the financial statements.

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Vancouver, B.C.
March 3, 1971

RESOURCES LIMITED

(*Under the laws of Ontario*)

Transcontinental Petroleums Limited

DECEMBER 31, 1970 (note 1)

(At December 31, 1969)

LIABILITIES

Current Liabilities

Bank loan secured by pledge of certain marketable securities	\$ 194,300	—
Accounts payable and accrued liabilities	201,852	\$ 52,183
Income taxes payable	—	1,300
Advances from unconsolidated subsidiary company — Atkins & Durbrow Ltd.	175,000	—
	<u>571,152</u>	<u>53,483</u>

Capital Stock

Authorized — 6,000,000 Shares of no par value		
Issued — 4,733,759 Shares	2,246,597	2,246,597

Deficit

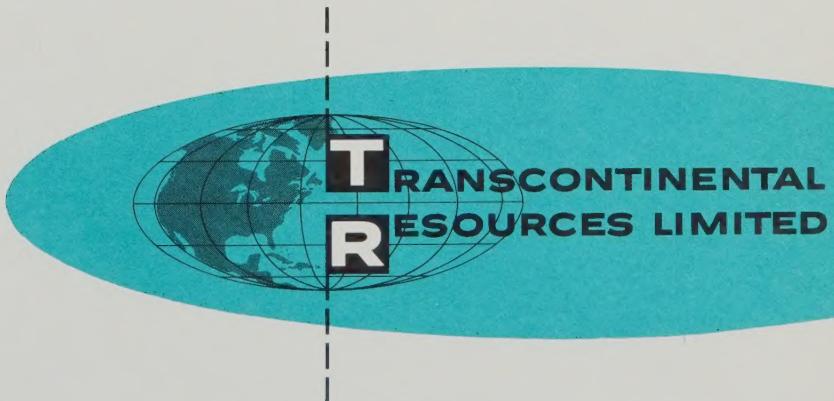
Approved by the Board		
F. B. KILSHAW, Director	743,563	737,372
F. W. Schroeder, Director	1,503,034	1,509,225
	<u>\$2,074,186</u>	<u>\$1,562,708</u>

TRANSCONTINENTAL RESOURCES LIMITED

Transcontinental Resources Limited as at December 31, 1970 and the financial statements for the year then ended (which financial statements include Transcontinental Petroleums Limited). Our examination included a review of accounting records and other supporting evidence as to the correctness of the financial statements.

The financial position of the companies as at December 31, 1970, application of their funds for the year then ended, in accordance on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1970 (with comparative figures for 1969)

<i>Source of Funds</i>	<u>1970</u>	<u>1969</u>
Operations		
Net income (loss) for the year	\$ (6,191)	\$ 45,561
Items not involving a current outlay of funds		
Exploration expenditures written off	32,978	7,933
Loss (gain) on securities, net	26,417	(6,540)
	53,204	46,954
Sale of shares in other companies	76,878	98,823
Sale of land	28,500	—
Reduction in advances to associated and other mining companies	—	25,515
	158,582	171,292
<i>Application of Funds</i>		
Expenditures for		
Interests in oil leases and gas plant and related facilities	2,080	75,310
Exploration expenditures	53,270	27,245
Land and building	15,800	85,108
Purchase of shares		
Subsidiary company	940,201	—
Other companies	68,678	231,444
Advances to		
Subsidiary companies	2,436	1,578
Associated and other mining companies	18,285	—
	1,100,750	420,685
Decrease in working capital	942,168	249,393
Working capital at beginning of year	442,314	691,707
Working capital (deficiency) at end of year	\$ (499,854)	\$ 442,314

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1970

1. BASIS OF PRESENTATION

The only subsidiary company consolidated in these financial statements is Transcontinental Petroleum Limited (wholly-owned). The accounts of the major subsidiary company, Atkins & Durbrow Ltd. (95.82% owned), are not included, nor are those of certain other subsidiary companies referred to below.

As to Atkins & Durbrow Ltd. it is the intention of Transcontinental Resources Limited to change its year-end to June 30, the year-end of Atkins & Durbrow Ltd., and present consolidated financial statements at that date to the shareholders. As control of this company was not acquired until December 1970, for accounting purposes control is deemed to have been acquired on December 31, 1970.

Particulars of the other subsidiary companies not consolidated are as follows:

(a) Blue Ledge Copper Mines (90% owned)

All expenditures have been deferred and the accounts show neither profit nor loss from incorporation to date.

(b) Transcontinental Securities Limited and Yukon Assay Services Limited (wholly-owned)

These companies are dormant and are carried at nominal value.

2. SHARES, ADVANCES AND OTHER INTERESTS

	1970	1969
Marketable securities (quoted market value 1970—\$571,336; 1969—\$483,120)	\$ 586,629	\$ 604,334
Unlisted shares	287,034	309,090
Advances to associated and other mining companies	20,997	2,712
Unconsolidated subsidiary companies (note 1)		
Advances	32,186	29,750
Shares	1,001,969	56,625
Interests in oil leases and gas plant		
Leases in Lesser Slave Lake area including development expenditures at cost, less amounts written off	243,716	243,129
Gas plant and related facilities	5,411	3,918
Exploration expenditures deferred	47,537	27,245
Land and building	72,409	85,108
	2,297,888	1,361,911
Less allowance for decline in value	295,000	295,000
	<u>\$2,002,888</u>	<u>\$1,066,911</u>

3. OTHER STATUTORY INFORMATION

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) amounted to \$4,200 (1969—\$4,200).

Directors:

W. B. MILNER
R. H. TUPPER, Q.C.
G. E. WOOTTEN
F. W. SCHROEDER
W. W. DENNIS
D. E. MAGEE
J. M. PIERCE
F. B. KILSHAW
J. R. MILNER

Officers:

F. B. KILSHAW, President
J. R. MILNER, Vice-President
F. W. SCHROEDER, Treasurer
D. E. MAGEE, Secretary

Offices:

Suite 401, 1033 Davie Street
Vancouver 5, British Columbia
Suite 301,
394 Bay Street,
Toronto 1, Ontario

Listed:

VANCOUVER STOCK EXCHANGE

Auditors:

THORNE, GUNN, HELLIWELL & CHRISTENSON
Toronto Dominion Centre
Toronto 3, Ontario

Transfer Agent and Registrar:

CROWN TRUST COMPANY
302 Bay Street, Toronto, Ontario
and
455 Howe Street, Vancouver, B.C.



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(Crown)

**INTERIM FINANCIAL
STATEMENTS**

AT JUNE 30, 1970

holds minor
+ oil prop
+ investments

**TRANSCONTINENTAL
RESOURCES LIMITED**

of Vancouver

CONSOLIDATED STATEMENT OF INCOME

January 1 to June 30, 1970

	1970	1969 for comparison
<i>Revenue</i>		
Oil production net	\$ 12,005	\$ 7,232
Gain on securities	—	14,951
Interest	16,870	21,626
Dividends	9,244	2,288
Rent	6,590	—
	<u>44,709</u>	<u>46,097</u>
<i>Deduct</i>		
Administrative and general expenses	12,334	12,337
Net income for the period	<u>32,375</u>	<u>33,760</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

January 1 to June 30, 1970

<i>Source of Funds</i>	\$	\$
Net income	32,375	33,760
Decrease in working capital	54,523	96,602
Total	<u>86,898</u>	<u>130,362</u>
<i>Application of Funds</i>		
Purchase of securities	52,972	42,131
Purchase of oil leases	1,226	74,086
Land and building	12,800	—
Exploration expenditures	19,900	14,145
Total	<u>86,898</u>	<u>130,362</u>

CONSOLIDATED BALANCE SHEET JUNE 30, 1970

ASSETS	1970	1969 for comparison
<i>Current</i>		
Cash	\$ 376,426	\$ 626,834
Accounts receivable and accrued interest	11,604	6,140
	<u>388,030</u>	<u>632,974</u>
<i>Interest in Associated and Other Companies</i>		
at cost less amounts written off	760,483	634,418
<i>Oil Leases</i>		
Interest in oil leases in Lesser Slave Lake area and Gas plant and related facilities	248,273	253,756
Land and building	97,908	—
Exploration expenditures	47,145	14,145
	<u>\$1,541,839</u>	<u>\$1,535,293</u>
LIABILITIES		
<i>Current</i>		
Accounts payable	\$ 239	\$ 401
Due to associated companies	239	37,468
	<u>239</u>	<u>37,869</u>
<i>Capital Stock</i>		
Authorized—6,000,000 shares of no par value		
Issued—4,733,759 shares	2,246,597	2,246,597
Deduct Deficit	704,997	749,173
	<u>\$1,541,839</u>	<u>\$1,535,293</u>